in August, the slowest pace since May. While the decline in sales of U.S.-manufactured cars reflects in part depleted inventories and the elimination of most buyer-incentive plans, it also arises from a deterioration in consumer sentiment. The University of Michigan Survey, for example, reported that its index of consumer sentiment slipped in August to its lowest level since last spring, as fears of rising interest rates, not to mention renewed recession, mounted. And, according to another survey, this one taken by the Conference Board, buying plans for cars and houses retreated in August from their strong gains posted as recently as July.

Thus, with interest rates rising and consumer sentiment deteriorating, it was not too surprising that retail sales plunged 1.4 per cent in August month-over-month, the largest monthly drop in more than a year. Although weakening auto sales contributed the most to August's drop in total sales, other categories of durable goods, especially such housing-related items as building materials, hardware, furniture and home furnishings all posted declines as well.

. . . To A More Sustainable Pace

To be sure, the economic rebound is still far from being derailed. The recovery has a lot of room for further expansion, albeit at a more modest pace than the rate of the second quarter. The slower

Selected Federal Reserve Data

(Averages of Daily Figures—Billions of Dollars)

	Week Ending 9/7/83	$ Change Since Week Ago	$ Change Since Year Ago
Reserve Bank Credit			
U.S. Gov'ts and Agencies Owned Outright & RPs	154.135	+ .465	+13.089
Loans to Depository Inst.	1.247	– .467	+ .299
Float	1.032	+ .190	– .886
Total Reserve Bank Credit	163.920	+ .141	+11.218
Treasury Deposits with Federal Reserve Banks	3.414	+ .114	– .362
Currency Outside Banks	144.814	+ 1.229	+12.399
Member Bank Reserves:			
Required	36.889	– 1.460	– 1.830
Excess (Deficiency)	.360	+ .298	+ .195
Total Reserves Held	37.749	– 1.162	– 1.635
Net Free Reserves	.294	+ .731	+ .355
Gov'ts held for Foreign Acct. by F.R. Banks (End-of-Week)	109.048	+ .995	+15.063
Monetary Aggregates†		**% Change Since Three Months Ago***	**Year Ago**
M1	518.5	+ 4.4‡	+ 12.2‡
M2 (August '83)	2,136.2	+ 7.6	+ 12.2
M3 (August '83)	2,527.9	+ 8.3	+ 9.1
Domestic Nonfinancial Debt (2nd Q'83)	4,939.1	+ 11.7	+ 10.3

†Seasonally adjusted.

*Seasonally adjusted annual rate.
‡Four-week moving average.

New York Money Market

Offering Rates 9/16/83	3 Months	6 Months	1 Year
‡U.S. Treasury Bills	8.90%	9.00%	10.00%
* Federal Agencies	9.25	9.60	10.10
* Project Notes–Taxfree (46% Taxable Equivalent)	9.26	10.46	11.11
Negotiable Time CDs Manufacturers Hanover	Rates By Arrangement		
* Secondary Market–Prime	9.55	9.85	10.45

‡Finance Company Paper–Prime		‡* Bankers' Acceptances	
5- 14 days	9.50%	Oct.	9.35%
15- 29 days	9.50	Nov.	9.35
30- 59 days	9.38	Dec.	9.40
60- 89 days	9.38	Jan.	9.45
90-179 days	9.25	Feb.	9.50
180-239 days	9.25	Mar.	9.40
240-270 days	9.25		

‡Industrial Paper–Prime		†Federal Funds	
30- 89 days	9.38%	Effective Rate	9.60%
90-120 days	9.38		

‡Discount basis. * Subject to availability. † Estimated.

Selected Business Indicators

(All Dollar Figures in Billions)

	Latest Period or End of Period		Previous Period	Year Ago Period
Gross National Product (Current Dollars)*	2nd Q'83	$ 3,270	$ 3,172	$ 3,070
Gross National Product (1972 Dollars)*	2nd Q'83	$ 1,523	$ 1,490	$ 1,489
Percent Change, Annual Rate	2nd Q'83	9.2	2.6	0.9
Change in Consumer Prices (new series)*	Jul '83	4.8%	2.4%	7.2%
Change in Producer Prices*	Aug '83	4.8%	1.2%	6.0%
Civilian Employment (Thousands of Persons)†	Aug '83	101,563	101,285	99,683
Unemployment as % of Civilian Labor Force†	Aug '83	9.5%	9.5%	9.9%
Personal Income*	Jul '83	$ 2,751	$ 2,736	$ 2,590
Leading Indicators Composite Index (1967=100)†	Jul '83	157.7	157.2	136.2
Industrial Production Index (1967=100) †	Aug '83n	150.5	149.2r	138.4
Net Change in Consumer Installment Credit †	Jul '83n	$ 4.84	$ 4.41	$ 0.84
U.S. Merchandise Trade Balance †	Jul '83	–$ 6.36	–$ 4.96	–$ 2.70
Plant and Equipment Expenditures*	4th Q'83	$326.73(a)	$313.04(a)	$303.18
Private Housing Starts (Thousands of Units)*	Jul '83	1,741	1,752	1,185
New Construction Expenditures*	Jul '83	$ 267.7	$ 263.1	$ 230.8
Total Business Inventories †	Jul '83n	$ 506.7	$ 505.5r	$ 521.1
Total Business Sales †	Jul '83n	$ 372.3	$ 373.6r	$ 347.7

*Seasonally adjusted annual rate. †Seasonally adjusted. n-Newly reported figure. r-Revised. a-Anticipated.

pace of the recovery in future months was signaled by the 0.3 per cent rise in July's index of leading economic indicators—the smallest monthly increase since August, 1982 and considerably less than the 1.9 per cent average monthly gain of the first half of 1983.

Indeed, the Fed's limited restraining measures of last spring have seemingly accomplished their intended task. Not only has the pace of business activity moderated, diminishing fears of a renewed inflation spiral, but growth of the M1 money supply has decelerated as well. Over the last eight weeks, for example, M1 grew at a seasonally adjusted annual rate of only 5.6 per cent, well below the almost 20 per cent annual rate registered during the immediately preceding eight-week period (see chart on page 1). So, too, the growth of the broader money supply measures has moderated, and both M2 and M3 are within their respective growth target boundaries.

This means that for the first time in over a year, money supply developments do not suggest the need for a tightening of the money and credit reins and do not present an obstacle to lower interest rates. The Fed's earlier tightening and the slower pace of business activity have provided the Fed with a degree of policy flexibility unavailable just two months ago—auguring well for stable, if not lower interest rates in the weeks and months ahead. H

Short Term Paper Outstanding

(Millions of Dollars)

	Latest Week	Change Since Week Ago	Change Since Year Ago
Negotiable Time CD's Weekly Reporting Banks			
Nationwide (8/31/83)	95,401	+ 216	–53,002
New York City (8/31/83)	22,468	+ 261	–17,943
Commercial Paper (8/31/83)	172,383	– 546	– 1,679*

*Series redefined: Data prior to December 1, 1982, are not strictly comparable to the data reported after that date.

Bank Loans

(Millions of Dollars)

Commercial and Industrial Loans

Weekly Reporting Large Commercial Banks	Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (8/31/83)	214,047	+ 187	+ 598
New York City (8/31/83)	58,030	– 554	– 1,934

Total Loans Gross Adjusted

	Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (8/31/83)	510,461	+ 3,494	+11,997
New York City (8/31/83)	117,836	+ 1,264	– 847

Financial Markets

	Friday 9/16/83	Change Since Week Ago	Change Since Year Ago
U.S. Governments, Closing Yields:			
90-Day Bills†	9.40%	+ .10	+ .81
180-Day Bills†	9.80	+ .20	– .55
Longest Bills†	10.15	+ .10	– .95
Recent Issues:			
10⅞s 9/30/85 (When Issued)	11.35	NA	
10½s 6/30/87	11.75	+ .55	
11⅞s 8/15/93	11.75	+ .25	
12s 8/15/13	11.75	+ .25	
Municipals:			
Bond Buyer–20 Bond Index* (9/15/83)	9.62%	– .05	– 1.13
Blue List Total ($ Million)	$1,084	+ $ 2	+ $ 90
30-Day Visible Supply ($ Million)	$1,961	– $453	– $1,122
Total	$3,045	– $451	– $1,032
Corporates:			
Moody's Aa Composite (9/15/83)	12.73%	+ .06	– 1.13
30-Day Visible Supply ($ Million)	$ 407	– $360	– $ 623
Stocks:			
Dow-Jones Averages:			
Industrials	1,225.71	– 14.03	+ 318.89
Transportation	572.73	+ 3.07	+ 203.13
Utilities	131.89	+ .72	+ 17.41
65 Stocks	488.88	– 2.02	+ 134.71
Standard and Poor's 500 Stocks	166.24	– .68	+ 45.27
N.Y.S.E. Composite Index	96.17	– .37	+ 26.76
N.Y.S.E. Avg. Daily Vol. for Week (000's)	81,536	– 3,384	+ 8,613

* 46% Taxable equivalent 17.81%.

† Bond equivalent.

International Rates

EURODOLLAR DEPOSIT RATES (bid)	Friday 9/16/83	Week Ago
Overnight	9.63%	9.44%
1 month	9.88	9.75
3 month	9.94	10.00
6 month	10.25	10.31
1 year	10.56	10.19
EURODOLLAR BONDS Average Yield		
Medium Term (5 to 7 yrs.)	11.95%	11.85%
Long Term (7 to 15 yrs.)	12.00	11.90

FOREIGN EXCHANGE SPOT RATES

New York Opening (9/16/83)	U.S. $ Equivalent	Currency Per U.S. $
Belgium	.01853	53.98
Canada	.8109	1.2332
Denmark	.1041	9.6055
France	.1238	8.0805
Germany	.3740	2.6740
Italy	.0006245	1601.40
Japan	.004106	243.55
Mexico	.006667	150.00
Netherlands	.3344	2.9900
Switzerland	.4601	2.1735
U.K.	1.4990	.6671

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